

**Village of Lake Odessa**  
**Lake Odessa, Michigan**  
**Financial Statements**  
**For the Year Ended February 28, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Lake Odessa</b>	County <b>Ionia</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>9/20/05</b>	Date Accountant Report Submitted to State: <b>12/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treas.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

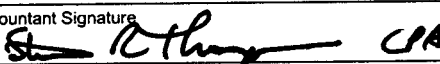
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and the financial statements comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Biggs, Hausserman, Thompson &amp; Dickinson PC</b>			
Street Address <b>356 E Main Street</b>	City <b>Saranac</b>	State <b>MI</b>	ZIP <b>48881</b>
Accountant Signature  CPA		Date <b>12/30/05</b>	

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### **Independent Auditor's Report**

Members of the Village Council  
Lake Odessa, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lake Odessa, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Lake Odessa, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Lake Odessa, Michigan as of February 28, 2005, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2005 on our consideration of the Village of Lake Odessa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Village adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and 38 and GASB Interpretation 6 as of March 1, 2004. This results in a change to the Village's format and content of the basis financial statements.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Lake Odessa's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the Village of Lake Odessa's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Biggs, Hausserman, Thompson + Dickinson*

BIGGS, HAUSSERMAN, THOMPSON & DICKINSON, P.C.

Certified Public Accountants

September 20, 2005

**Management's Discussion and Analysis**

## Management Discussion and Analysis

As management of the Village of Lake Odessa, we offer readers of the Village of Lake Odessa financial statements this narrative overview and analysis of the financial activities of the Village of Lake Odessa for the fiscal year ended February 28, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- 2004-2005 was a year of significant activity in the Village including completion of the M-50 Road project.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Lake Odessa financial statements. The Village of Lake Odessa basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Lake Odessa finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Lake Odessa assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide and financial statements distinguish functions of the Village of Lake Odessa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Lake Odessa include public safety, highways, public works, and general government services. The business-type activity of the Village of Lake Odessa includes water services.



**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lake Odessa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Lake Odessa can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Lake Odessa maintains 4 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, which is considered to be major fund. Data from the other 3 governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Lake Odessa adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary funds.** The Village of Lake Odessa maintains one proprietary fund. The one *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund which is considered to be a major fund of the Village of Lake Odessa.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village of Lake Odessa's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Lake Odessa, assets exceeded liabilities by \$2,323,909 at the close of the most recent fiscal year.

By far the largest portion of the Village of Lake Odessa net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Village of Lake Odessa uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Lake Odessa investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities *[Because this is the first year of implementation of Government Accounting Standard Board Statement No. 34, which requires this new reporting model, the following tables present only current data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]*

	Net Assets Summary		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 919,155	\$ 260,009	\$ 1,179,164
Capital assets	228,562	1,343,310	1,571,872
Total assets	1,147,717	1,603,319	2,751,036
Long-term liabilities outstanding	60,045	255,046	315,091
Other liabilities	108,569	3,467	112,036
Total liabilities	168,614	258,513	427,127
Net assets:			
Invested in capital assets, net of related debt	168,517	1,088,264	1,256,781
Restricted	369,170	0	369,170
Unrestricted	441,416	256,542	697,958
Total net assets	\$ 979,103	\$ 1,344,806	\$ 2,323,909

Net assets of governmental activities at year-end have been restricted primarily by funding sources for the street funds. Of the net asset balance at year end, 16% is invested in capital assets net of related debt, 34% is restricted for other purposes at 50% is unrestricted and available for general Village operations.

**Village of Lake Odessa  
Changes in Net Assets**

	Governmental Activities	Business-type Activities	Total
Revenue:			
Program revenue:			
Charges for services	\$ 19,236	\$ 380,890	\$ 400,126
Operating grants and contributions	171,762	0	171,762
General revenue:			
Property taxes	619,191	0	619,191
State shared revenue	242,963	0	242,963
Other	37,314	8,744	46,058
Total revenue	<u>1,090,466</u>	<u>389,634</u>	<u>1,480,100</u>
Governmental activities:			
General government	241,156	0	241,156
Public safety	310,975	0	310,975
Highways and streets	251,116	0	251,116
Public services	53,793	0	53,793
Culture and recreation	52,028	0	52,028
Interest on long-term debt	2,723	0	2,723
Extraordinary Item-Termination Pay	100,000	0	100,000
Total expenses - governmental activities	<u>1,011,791</u>	<u>0</u>	<u>1,011,791</u>
Business-type activities:			
Water	0	356,837	356,837
Total expenses business-type activities	<u>0</u>	<u>356,837</u>	<u>356,837</u>
Changes in net assets	78,675	32,797	111,472
Net assets - beginning of year	900,428	1,312,009	2,212,437
Net assets - end of year	<u><u>\$ 979,103</u></u>	<u><u>\$ 1,344,806</u></u>	<u><u>\$ 2,323,909</u></u>

**Governmental activities.** Governmental activities increased the Village's net assets by \$78,675, accounting for 71% of the total increase in the net assets of the Village. Key elements of this increase are as follows:

- General fund expenditures in excess of revenues and other financing sources.
- The street funds accumulating funds for future projects.

**Business-type activities.** Business-type activities increased the Village's net assets by \$32,797, accounting for a 29% of the total increase in the government's net assets for the current year. Key elements of this increase are as follows:

- Revenues exceeding operating revenues with depreciation expense currently being less than the capital expended for replacement and debt reduction.

### Financial Analysis of the Government's Funds

As noted earlier, the Village of Lake Odessa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village of Lake Odessa *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Lake Odessa financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village of Lake Odessa's governmental funds reported combined ending fund balance of \$810,586, an increase of \$76,846 compared with prior year.

The general fund is the chief operating fund of the Village of Lake Odessa. At the end of the current fiscal year, undesignated fund balance of the general fund was \$400,821, while total fund balance was \$441,416. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total fund balance represents 70 percent of total general fund expenditures.

The fund balance of the Village of Lake Odessa's general fund decreased by \$34,226 during the current fiscal year.

*Proprietary funds.* The Village of Lake Odessa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$1,344,806. The total increase in net assets for the year was \$32,797. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village of Lake Odessa's business-type activities.

### General Fund Budgetary Highlights

- The budget was note amended during the year and final variances were not significant.

### Capital Asset and Debt Administration

**Capital assets.** The Village of Lake Odessa's investment in capital assets for its governmental and business type activities as of February 28, 2005, amounts to \$1,571,872 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, road, highways, and bridges. The total increase in the Village of Lake Odessa's investment in capital assets for the current fiscal year was \$183,526.

Major capital asset events during the current fiscal year included the following:

- New water mains completed in M-50 Road Project.
- Engineering started for water system expansion to cover grant match.
- New Police car.

#### Village of Lake Odessa Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 0	\$ 2,150	\$ 2,150
Construction in progress	0	114,026	114,026
Building, equipment and improvements	228,562	1,227,134	1,455,696
Total net assets	<u>\$ 228,562</u>	<u>\$ 1,343,310</u>	<u>\$ 1,571,872</u>

Additional information on the Village of Lake Odessa capital assets can be found in the notes to financial statements in this report.

## Long-term debt.

### Village of Lake Odessa (net of depreciation)

	Governmental Activities	Business-type Activities	Total
Bonded debt net of discounts	\$ 60,042	\$ 255,046	\$ 315,088
Other obligations	0	0	0
Total net assets	<u>\$ 60,042</u>	<u>\$ 255,046</u>	<u>\$ 315,088</u>

During the year the Village issued no new debt and paid approximately \$81,000 of principal off on debt outstanding at March 1, 2004.

### Economic factors and next year's budget.

Next year's budget is similar to the past year. The economic situation in Michigan continues to strain State revenues and subsequent allocations to local governmental units.

The Village of Lake Odessa has formed a Downtown Development Authority that should begin operations in the upcoming year. The Village of Lake Odessa has also been awarded various grants for road and water projects that will likely begin in the next fiscal year.

### Requests for Information

This financial report is designed to provide a general overview of the Village of Lake Odessa finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Lake Odessa, Lake Odessa, Michigan.

**Village of Lake Odessa**  
**Statement of Net Assets**  
**February 28, 2005**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 825,378	\$ 249,765	\$ 1,075,143
Receivables			
Property taxes	19,252	0	19,252
Accounts	4,429	51,764	56,193
Interest	0	0	0
Special assessment	270	0	270
Due from other governments	28,306	0	28,306
Internal balances	41,520	(41,520)	0
	<hr/>	<hr/>	<hr/>
Total current assets	919,155	260,009	1,179,164
<b>Non current assets</b>			
Capital assets	950,114	1,893,081	2,843,195
Less: accumulated depreciation	(721,552)	(549,771)	(1,271,323)
Net capital assets	<hr/>	<hr/>	<hr/>
	228,562	1,343,310	1,571,872
	<hr/>	<hr/>	<hr/>
Total assets	<hr/>	<hr/>	<hr/>
	\$ 1,147,717	\$ 1,603,319	\$ 2,751,036
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 8,569	\$ 490	\$ 9,059
Accrued expense	100,000	2,977	102,977
Long-term liabilities due within one year			
Bonds payable- due within one year	11,930	71,930	83,860
	<hr/>	<hr/>	<hr/>
Total current liabilities	120,499	75,397	195,896
<b>Noncurrent Liabilities</b>			
Bonds payable-due in more than one year	48,115	183,116	231,231
	<hr/>	<hr/>	<hr/>
Total Liabilities	168,614	258,513	427,127
<b>Net Assets</b>			
Investment in capital assts- net of related debt	168,517	1,088,264	1,256,781
Unrestricted	810,586	256,542	1,067,128
	<hr/>	<hr/>	<hr/>
Total net assets	<hr/>	<hr/>	<hr/>
	\$ 979,103	\$ 1,344,806	\$ 2,323,909
	<hr/>	<hr/>	<hr/>

Village of Lake Odessa  
Statement of Activities  
Year ended February 28, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants/ Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 241,156	\$ 0	\$ 0	\$ (241,156)	\$ 0	\$ (241,156)
Public safety	310,975	0	8,682	(302,293)	0	(302,293)
Public services	53,793	6,376	0	(47,417)	0	(47,417)
Highways and streets	251,116	0	163,080	(88,036)	0	(88,036)
Culture and recreation	52,028	12,860	0	(39,168)	0	(39,168)
Interest on long-term debt	2,723	0	0	(2,723)	0	(2,723)
Total governmental activities	911,791	19,236	171,762	(720,793)	0	(720,793)
<b>Business-type activities:</b>						
Water	356,837	380,890	0	0	24,053	24,053
Total business-type activities	356,837	380,890	0	0	24,053	24,053
<b>Total Government</b>	<b>\$ 1,268,628</b>	<b>\$ 400,126</b>	<b>\$ 171,762</b>	<b>(720,793)</b>	<b>24,053</b>	<b>(696,740)</b>
<b>General revenues:</b>						
Property taxes				619,191	0	619,191
State shared revenues				242,963	0	242,963
Interest earnings				10,641	8,744	19,385
Miscellaneous				26,673	0	26,673
Total general revenues				899,468	8,744	908,212
<b>Extraordinary items</b>						
Termination pay				(100,000)	0	0
<b>Changes in net assets</b>						
				78,675	32,797	111,472
<b>Net assets- beginning of year</b>				900,428	1,312,009	2,212,437
<b>Net assets-end of year</b>				\$ 979,103	\$ 1,344,806	\$ 2,323,909

**Village of Lake Odessa**  
**Governmental Funds**  
**Balance Sheet**  
**February 28, 2005**

	<b>General Fund</b>	<b>Other Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash	\$ 477,578	\$ 347,800	\$ 825,378
Taxes receivable	13,294	5,958	19,252
Assessments receivable	0	270	270
Accounts receivable	4,429	0	4,429
Due from other funds	55,703	4,991	60,694
Due from other governments	264	28,042	28,306
	<u>551,268</u>	<u>387,061</u>	<u>938,329</u>
<b>Total assets</b>	<b>\$ 551,268</b>	<b>\$ 387,061</b>	<b>\$ 938,329</b>
<b>Liabilities and fund equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 6,805	\$ 1,764	\$ 8,569
Accrued expenses	100,000	0	100,000
Due to other funds	3,047	16,127	19,174
	<u>109,852</u>	<u>17,891</u>	<u>127,743</u>
<b>Total liabilities</b>	<b>109,852</b>	<b>17,891</b>	<b>127,743</b>
<b>Fund Equity</b>			
Fund balances			
Designated for capital outlay	40,595	0	40,595
Undesignated	400,821	0	400,821
Undesignated reported in special revenue funds	0	369,170	369,170
	<u>441,416</u>	<u>369,170</u>	<u>810,586</u>
<b>Total fund equity</b>	<b>441,416</b>	<b>369,170</b>	<b>810,586</b>
<b>Total liabilities and fund equity</b>	<b>\$ 551,268</b>	<b>\$ 387,061</b>	<b>\$ 938,329</b>



**Village of Lake Odessa**  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds to Net Assets  
February 28, 2005

<b>Total Fund Balances- Governmental Funds</b>	<b>\$</b>	<b>810,586</b>
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Amounts reported for governmental activities  
in the statement of net assets are different because:

Capital assets used in government activities are not  
financial resources, and are not reported in the funds

Capital assets cost:	950,114	
Accumulated depreciation:	<u>(721,552)</u>	
Net Capital Assets		228,562

Long term and other liabilities are not due and payable  
in the current period and are not reported in the funds

Bonds Payable		(60,045)
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Net assets of governmental activities	<u><u>\$</u></u>	<u><u>979,103</u></u>
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**Village of Lake Odessa**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended February 28, 2005**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<b>Revenues</b>			
Taxes and special assessments	\$ 426,149	\$ 193,042	\$ 619,191
Licenses and permits	1,915	0	1,915
Intergovernmental revenues			
State	251,645	163,080	414,725
Interest	4,575	6,066	10,641
Miscellaneous/reimbursements	154,659	0	154,659
<b>Total revenues</b>	<u>838,943</u>	<u>362,188</u>	<u>1,201,131</u>
<b>Expenditures</b>			
General government	235,998	0	235,998
Public safety	323,972	0	323,972
Public services	146,994	0	146,994
Highways and streets	0	251,116	251,116
Culture/recreation	52,028	0	52,028
Debt Service			
Redemption of bonds/notes	11,454	0	11,454
Interest and fiscal charges	2,723	0	2,723
<b>Total expenditures</b>	<u>773,169</u>	<u>251,116</u>	<u>1,024,285</u>
<b>Excess of revenues over (under) expenditures</b>	65,774	111,072	176,846
<b>Other financing sources (uses)</b>			
Termination pay	(100,000)	0	(100,000)
Operating transfers in	0	29,977	29,977
Operating transfers out	0	(29,977)	(29,977)
<b>Total other financing sources (Uses)</b>	<u>(100,000)</u>	<u>0</u>	<u>(100,000)</u>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	(34,226)	111,072	76,846
<b>Fund balances at beginning of year</b>	<u>475,642</u>	<u>258,098</u>	<u>733,740</u>
<b>Fund balances at end of year</b>	<u><u>\$ 441,416</u></u>	<u><u>\$ 369,170</u></u>	<u><u>\$ 810,586</u></u>

**Village of Lake Odessa**  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to Statement of Activities  
Year Ended February 28, 2005

Net Change in Fund Balances- Total Governmental funds	\$ 76,846
---	-----------

Amount reported for governmental activities in the statement  
of activities are different because:

Governmental funds reported capital outlays as expenditures;  
in the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(26,793)
Capital outlay	17,168

Accrued interest is recorded in the statement of activities  
when incurred; it is not reported in governmental funds until paid

Repayment of note principal is an expenditure in the governmental  
funds, but not in the statement of activities (where it reduces long-term  
debt)

11,454

Change in Net Assets of Governmental Activities

\$ 78,675

**Village of Lake Odessa**  
**Proprietary Funds**  
**Statement of Net Assets**  
**February 28, 2005**

	<b>Water Fund</b>
<b>Assets</b>	
Cash	\$ 249,765
Accounts receivable	51,764
Due from other funds	4,150
Interest receivable	-
Buildings & improvements	1,713,875
Machinery & equipment	179,206
Accumulated depreciation	<u>(549,771)</u>
Total assets	<u><u>\$ 1,648,989</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 490
Due to other funds	45,670
Accrued expense	2,977
Note payable	60,046
Bonds payable	<u>195,000</u>
Total liabilities	304,183
<b>Fund equity</b>	
Retained earnings - Unreserved	<u>1,344,806</u>
Total fund equity	<u>1,344,806</u>
Total liabilities and fund balance	<u><u>\$ 1,648,989</u></u>

**Village of Lake Odessa**  
**Proprietary Funds**  
**Statement of Revenues, Expenses**  
**and Changes in net Assets**  
**Year Ended February 28, 2005**

	<u><b>Water Fund</b></u>
<b>Operating Revenue</b>	
Charges for services	\$ 380,890
<b>Operating Expenses</b>	
Cost of services	<u>343,391</u>
Operating income (loss)	37,499
<b>Non-Operating Income (Expenses)</b>	
Interest income	8,744
Interest and fiscal charges	<u>(13,446)</u>
Total non-operating income	<u>(4,702)</u>
<b>Net income</b>	32,797
<b>Retained earnings, beginning of year</b>	<u>1,312,009</u>
<b>Retained earnings, end of year</b>	<u><u>\$ 1,344,806</u></u>

**Village of Lake Odessa**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended February 28, 2005**

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 388,534
Cash payments for goods and services	(122,837)
Cash payments to employees	(113,259)
Cash payments for employee benefits	(62,655)
	<u>89,783</u>
Net cash provided by operating activities	
Cash flows from capital and related financing activities	
Acquisition of capital assets	(191,554)
Principal payments	(71,453)
Interest payments	(13,446)
	<u>(276,453)</u>
Net cash provided (used) by capital and related financing activities	
Cash flows from investing activities	
Receipts of interest and dividends	9,572
Net cash provided (used) by investing activities	<u>9,572</u>
Net increase (decrease) in cash	(177,098)
Cash and cash equivalents, March 1, 2004	<u>426,863</u>
Cash and cash equivalents, February 28, 2005	<u><u>\$ 249,765</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income	\$ 37,499
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	47,074
Decrease (increase) in:	
Accounts receivable	7,644
(Decrease) increase in:	
Accounts payable	(10,509)
Accrued expenses	(910)
Due to other funds	8,985
	<u>89,783</u>
Net cash provided by operating activities	<u><u>\$ 89,783</u></u>

See accompanying notes to financial statements.

**Village of Lake Odessa**  
**Fiduciary Funds**  
**Statement of Net Assets**  
**February 28, 2005**

	Agency Fund
	<hr/>
Assets	
Cash	\$ 327
Due from other governmental units	<hr/> 1,750
	<hr/>
Total assets	<u><u>\$ 2,077</u></u>
Liabilities	
Accounts payable	<u>\$ 2,077</u>
	<hr/>
Total liabilities	<u><u>\$ 2,077</u></u>

**Notes to Financial Statements**



# **Village of Lake Odessa**

Notes to Financial Statements  
February 28, 2005

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## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village conform to generally accepted accounting principles, as described below, as applicable to governments. The following is a summary of the more significant policies:

### ***The Reporting Entity***

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Village is able to exercise oversight responsibilities.

Based on the above criteria no additional organizations or entities are included in these financial statements.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# **Village of Lake Odessa**

Notes to Financial Statements  
February 28, 2005

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the following year, the County pays the Village for any outstanding real property (excluding personal property) taxes of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be recorded when all eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service, landfill remediation and compensated absences expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The *Water Fund* accounts for operation, maintenance and capital improvement of the water system, and retirement of related debt.

Additionally, the Village reports the following fund types:

The *Special Revenue Funds* are used to account for revenue from specific revenue sources (other than capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Trust and Agency Funds* are used to account for assets held by the Village in a trustee or agency capacity on behalf of outside parties, including other governments. This includes an agency fund.

# **Village of Lake Odessa**

Notes to Financial Statements  
February 28, 2005

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applications for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from non-operating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charged services. Operating expenses for the enterprise fund include depreciation on capital assets and payments for services, wages and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### ***Receivables and Payables***

During the course of the operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Any residual balances outstanding between the governmental activities and business-type activity are reported in the government-wide financial statements as "internal balances."

### ***Allowance for Doubtful Accounts***

Accounts receivables are shown net of allowance for doubtful accounts.

### ***Cash***

For the purpose of the cash flows statement, cash is defined as cash in checking and savings accounts, and certificates of deposit, not restricted for debt retirement.

# **Village of Lake Odessa**

Notes to Financial Statements  
February 28, 2005

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds which are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submitted to the Village Council, a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings were conducted by the Village to obtain taxpayer comments.
3. By February of each year, the budget is legally enacted through passage of the appropriations act.
4. The Village Manager is authorized to make budget transfers to or from any one appropriation category during the fiscal year within dollar limits established by the Village Council. The legal level of budgetary control is at the department level.
5. Formal budgetary integration is employed as a management control device during the year. Budget appropriations lapse at year-end.
6. The budgeted amounts presented in these financial statements are final budgets, after amendments on various dates.

### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added beginning in 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

# **Village of Lake Odessa**

Notes to Financial Statements  
February 28, 2005

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Capital Assets (Continued)***

Depreciation on the capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimate useful lives:

	<u>Years</u>
Buildings.....	30-50
Equipment .....	5-50
Improvements.....	30-50
Public domain infrastructure .....	40

### ***Net Assets/Fund Balance***

Reserved fund balance/net assets represent those portions of fund balance/net assets not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

### ***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as debt service expenditures.

### ***Investments***

Investments are stated at fair value in accordance with GASB Statement No. 31.

### ***Property Taxes***

The Village of Lake Odessa bills and collects its own property tax levy. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

The property taxes attach as an enforceable lien on property July 1. Taxes are levied July 1 and are payable through August 31. All property taxes not paid by August 31 are deemed delinquent. Delinquent real property taxes are turned over to Ionia County. Ionia County remits payment to the Village of Lake Odessa on all delinquent real property taxes. Property taxes are recognized as revenues in the period for which they are levied.

# **Village of Lake Odessa**

Notes to Financial Statements  
February 28, 2005

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## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### ***Accrued Vacation and Sick Leave***

Hourly employees accumulate 1.85 hours of sick leave for each pay period of service in which he/she works. Upon voluntary termination, with eight years of service with the Village and upon submitting written notice at least two weeks prior to termination, the employee shall be paid for 50% of documented accrued sick leave, not to exceed 20 days, at the current wage rate. Employees that are involuntarily discharged are not eligible for payment of unused sick days. Salaried and hourly employees can carry forward 30 days for use in a subsequent year.

Village employees earn from 10-25 vacation days a year, depending on the length of employment. Vacation time not taken or paid in lieu of prior to March 1st of each year is forfeited. Upon termination all earned and unused vacation pay is paid at the current wage rate.

### ***Interfund Transactions***

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

### ***Risk Management***

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2005, the Village carried commercial insurance to cover risk of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. The Village has not significantly reduced insurance coverage during the past year.

### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### ***Accounting Change***

Effective March 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments* (GASB No. 34). Changes to the financial statements are a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

# Village of Lake Odessa

Notes to Financial Statements  
February 28, 2005

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets in the governmental activities column of the statement of net assets include assets totaling \$228, 562. Capital assets at March 1, 2004 have been adjusted to reflect the estimated historical cost of the Village's capital assets at that date. In addition, the governmental activities column includes other long-term obligations totaling \$60,042 previously reported in the General Long-term Debt Account Group and operating funds.

## 2. DEPOSITS AND INVESTMENTS

The captions on the combined balance sheet relating to cash, investments, and the amounts in the total (memorandum only) columns as of February 28, 2005, are as follows:

Total (Memorandum Only)	
Cash	\$ 1,075,470
A summary of cash by type:	
Petty cash	\$ 280
Cash in demand or savings accounts	1,075,190
Total	\$ 1,075,470

All investments are held in the name of the Village of Lake Odessa. The Village of Lake Odessa's investments are in accordance with statutory authority, as bank accounts were limited to savings and demand accounts and certificates of deposits. The certificates of deposit are non-negotiable.

The following deposit categories were held at February 28, 2005:

Deposit Type	Category of Credit Risk	Bank Carrying Value	Book Value
Demand and savings accounts	Insured	\$ 100,000	\$ 100,000
Certificates of deposit	Insured	556,196	556,196
Total		\$ 656,196	\$ 656,196
Demand and savings accounts	Uncollateralized	\$ 326,139	\$ 312,081
Certificates of deposit	Uncollateralized	106,913	106,913
Total		\$ 433,052	\$ 418,994

# Village of Lake Odessa

Notes to Financial Statements  
February 28, 2005

## 3. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance March 1, 2004	Additions	Disposals	Balance February 28, 2005
<b>Governmental activities:</b>				
Capital assets, being depreciated:				
Buildings	442,179		-	442,179
Equipments	507,935		-	507,935
<b>Total capital assets, not being depreciated</b>	<b>950,114</b>	<b>-</b>	<b>-</b>	<b>950,114</b>
Less accumulated depreciation for:				
Buildings	374,711	5,158	-	379,869
Equipments	320,048	21,635	-	341,683
<b>Total accumulated depreciation</b>	<b>694,759</b>	<b>26,793</b>	<b>-</b>	<b>721,552</b>
<b>Total capital assets, being depreciated, net</b>	<b>255,355</b>	<b>(26,793)</b>	<b>-</b>	<b>228,562</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 255,355</b>	<b>\$ (26,793)</b>	<b>\$ -</b>	<b>\$ 228,562</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 2,150	\$ -	\$ 2,150
Construction in progress	-	114,026	-	114,026
<b>Total capital assets, not being depreciated</b>	<b>-</b>	<b>116,176</b>	<b>-</b>	<b>116,176</b>
Capital assets, being depreciated:				
Buildings	1,522,319	75,379	-	1,597,698
Equipment	179,207	-	-	179,207
<b>Total capital assets, not being depreciated</b>	<b>1,701,526</b>	<b>75,379</b>	<b>-</b>	<b>1,776,905</b>
Less accumulated depreciation for:				
Buildings	435,787	30,509	-	466,296
Equipment	66,912	16,565	-	83,477
<b>Total accumulated depreciation</b>	<b>502,699</b>	<b>47,074</b>	<b>-</b>	<b>549,773</b>
<b>Total capital assets, being depreciated, net</b>	<b>1,198,827</b>	<b>28,305</b>	<b>-</b>	<b>1,227,132</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 1,198,827</b>	<b>\$ 144,481</b>	<b>\$ -</b>	<b>\$ 1,343,308</b>



## Village of Lake Odessa

Notes to Financial Statements  
February 28, 2005

### 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:

General government	\$ 5,158
Public safety	4,171
Public works	17,464

<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 26,793</u></b>
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### 5. RETIREMENT SYSTEM

The Village has a defined contribution pension plan covering substantially all of its general employees. The total pension payments for the year ended February 29, 2005, were \$23,705. Monies are invested in individual annuities in the names of the individuals.

#### Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 401(k). The plan, which is available to all Village Employees, permits them to defer a portion of their current salary until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to such amounts, property and/or rights (until made available to the employee or other beneficiary), are solely the property and rights of the Village (without being restricted to the provision of benefits under the plan), subject only to the claims of the Village's general creditors.

# Village of Lake Odessa

Notes to Financial Statements  
February 28, 2005

## 5. RETIREMENT SYSTEM – (CONTINUED)

Employee's rights created under the plan are equivalent to those of general creditors of the Village and only in an amount equal to their fair market value of the deferred account maintained with respect to each employee.

In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs. In addition, the Village believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Summary of the activity in the plan for the year ended February 29, 2005, is as follows:

Balance - February 28, 2004	\$	453,270
Contributions - employer		23,709
Contributions - employee		28,312
Net Investment Earnings (Losses)		40,299
Loan Payments		8,077
Payments to Beneficiaries		(10,127)
Change in outstanding loan balance		12,930
New loan issued		(19,000)
Balance - February 29, 2005	\$	<u>537,470</u>

## 6. INDIVIDUAL FUND INTERFUND RECEIVABLES AND PAYABLES

Individual fund interfund receivable and payable balances at February 28, 2005 are as follows:

	<u>Due to Fund</u>						Total
	General Fund	Water Fund	Major Street Fund	Highway Funds	Local Street Fund	Agency Fund	
<u>Due from Fund</u>							
General Fund	\$ 0	\$ 4,150	\$ 0	\$ 0	\$ 4,991	\$ 0	\$ 9,141
Water Fund	45,670	0	0	0	0	0	45,670
Major Street Fund	10,931	0	0	0	0	0	10,931
Highway Fund	5,137	0	0	0	0	0	5,137
Local Street Fund	59	0	0	0	0	0	59
Agency Fund	0	0	0	0	0	0	0
	<u>\$ 61,797</u>	<u>\$ 4,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,991</u>	<u>\$ 0</u>	<u>\$ 70,938</u>

# Village of Lake Odessa

Notes to Financial Statements  
February 28, 2005

## 7. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2005 are as follows:

	<u>General Fund</u>	<u>Nonmajor</u>	<u>Total</u>
Transfers out:			
General Fund	\$ 0	\$ 0	\$ 0
Water Fund	0	0	0
Nonmajor	0	29977	29977
	<u>\$ 0</u>	<u>\$ 29977</u>	<u>\$ 29977</u>

Transfers are use to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## 8. LONG-TERM OBLIGATIONS

The following is a summary of debt transactions of the Village for the year ended February 28, 2005:

	<u>Balance March 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2005</u>	<u>Due Within One Year</u>
<b>Governmental Long-Term Debt</b>					
<b>Governmental Funds</b>					
4.00% Equipment note payable payable in annual amounts up to \$13475 through 2010.	\$ 71,499	\$ 0	\$ 10,477	\$ 61,022	\$ 11,930
<b>Sub-Total Governmental Funds</b>	71,499	0	10,477	61,022	11,930
<b>Proprietary Funds</b>					
<b>Water Fund</b>					
6.125-9.50% Water System Improvement Bonds; payable in annual amounts of \$60000 to \$70000 through 2008.	255,000	0	60,000	195,000	60,000
4.00% Equipment note payable payable in annual amounts up to \$13475 through 2010.	71,499	0	10,477	61,022	11,930
<b>Sub-Total Enterprise Funds</b>	326,499	0	70,477	256,022	71,930
<b>Total Long-term obligations-Primary Government</b>	<u>\$ 397,998</u>	<u>\$ 0</u>	<u>\$ 80,954</u>	<u>\$ 317,044</u>	<u>\$ 83,860</u>

## Village of Lake Odessa

Notes to Financial Statements  
February 28, 2005

### 8. LONG-TERM OBLIGATIONS (CONTINUED)

The governmental long-term debt is serviced by the general fund. Remaining debt is serviced by the water fund.

The annual requirements to maturity on the total long-term obligations outstanding at February 28, 2005 are as follows:

	Enterprise Funds		Governmental Funds	
	Principal	Interest	Principal	Interest
2006	\$ 71,930	\$ 11,149	\$ 11,930	\$ 2,217
2007	77,423	7,866	12,423	1,724
2008	82,934	(699)	12,934	1,213
2009	13,475	672	13,475	672
2010	9,280	147	9,280	147
	<u>\$ 255,042</u>	<u>\$ 19,135</u>	<u>\$ 60,042</u>	<u>\$ 5,973</u>

### 9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not adopt a budget in which anticipated expenditures exceed anticipated revenues and fund equity at the beginning of the year, or incur expenditures in excess of the amount appropriated.

During the year ended February 29, 2005, the Village did incur expenditures in budgetary funds that exceeded of the amount appropriated.

	<u>Actual</u>	<u>Budget</u>
General Fund	\$ 873,169	\$ 853,173
Local Street Fund	\$ 119,919	\$ 85,600

# **Village of Lake Odessa**

Notes to Financial Statements  
February 28, 2005

## **10. FUND BALANCE/RETAINED EARNINGS RESERVES**

The following amounts have been reserved from the Village's fund balances/retained earnings:

<u>Purpose</u>	<u>General Fund</u>	<u>Total</u>
Equipment	\$ 40,595	\$ 40,595

## **11. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Village carries commercial insurance for the above risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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**Village of Lake Odessa**  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
Year Ended February 28, 2005

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 422,200	\$ 422,200	\$ 426,149	\$ 3,949
Licenses and Permits	8,400	8,400	1,915	(6,485)
State Grants	258,786	258,786	251,645	(7,141)
Miscellaneous	39,500	39,500	48,569	9,069
Other transactions	95,000	95,000	110,665	15,665
<b>Total Revenues</b>	<b>823,886</b>	<b>823,886</b>	<b>838,943</b>	<b>15,057</b>
<b>Expenditures</b>				
General Government	252,483	252,483	235,998	16,485
Public Safety	306,625	306,625	323,972	(17,347)
Public Services	156,165	156,165	146,994	9,171
Other functions	137,900	137,900	66,205	71,695
<b>Total Expenditures</b>	<b>853,173</b>	<b>853,173</b>	<b>773,169</b>	<b>80,004</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(29,287)</b>	<b>(29,287)</b>	<b>65,774</b>	<b>95,061</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	0	0	0	0
Transfer to other funds	0	0	0	0
Termination Pay	0	0	(100,000)	(100,000)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>Excess (deficiency) of revenues over expenditures and other sources (uses)</b>	<b>(29,287)</b>	<b>(29,287)</b>	<b>(34,226)</b>	<b>(4,939)</b>
<b>Fund Balance, beginning of year</b>	<b>475,642</b>	<b>475,642</b>	<b>475,642</b>	<b>0</b>
<b>Fund balance, end of year</b>	<b>\$ 446,355</b>	<b>\$ 446,355</b>	<b>\$ 441,416</b>	<b>\$ (4,939)</b>

**Village of Lake Odessa**  
General Fund  
**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
Year Ended February 28, 2005

	2005		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>Revenue</b>			
<u>Taxes</u>			
Current taxes	\$ 416,000	\$ 420,302	\$ 4,302
Trailer fees	700	483	(217)
Interest, penalties and administration fee on taxes	5,500	5,364	(136)
Total taxes	422,200	426,149	3,949
<u>Licenses and permits</u>			
Business licenses and permits	8,400	1,915	(6,485)
<u>State grants</u>			
State shared revenue	249,486	242,963	(6,523)
State public safety	9,300	8,682	(618)
Total state grants	258,786	251,645	(7,141)
<u>Miscellaneous</u>			
Swimming registration fees	1,500	3,000	1,500
Interest	8,300	4,575	(3,725)
Ordinance fines	2,000	3,381	1,381
Rentals	1,500	1,080	(420)
Miscellaneous	10,750	26,673	15,923
Arts commission	15,450	9,860	(5,590)
Total miscellaneous	39,500	48,569	9,069
<u>Other transactions</u>			
Reimbursements	95,000	110,665	15,665
Gain on sale of assets	0	0	0
<b>Total revenue</b>	<b>823,886</b>	<b>838,943</b>	<b>15,057</b>

**Village of Lake Odessa**  
General Fund  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
Year Ended February 28, 2005

	2005		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>Expenditures</b>			
<u>General Government</u>			
Governing Body			
Wages	500	402	98
President meeting fee	2,000	2,025	(25)
Trustees meeting fee	6,000	6,038	(38)
Treasurer meeting fee	4,200	4,423	(223)
Clerk meeting fee	1,200	1,013	187
Payroll taxes and benefits	1,600	1,248	352
Election supplies	800	148	652
Notary and bonding	100	0	100
Election fees	250	0	250
Printing and publishing	2,500	5,465	(2,965)
Promotion	4,000	7,196	(3,196)
Postage	1,000	439	561
Meals and mileage	250	230	20
Office supplies	1,000	244	756
Goodwill	500	981	(481)
Dues and memberships	1,500	2,162	(662)
Education and training	500	1,176	(676)
Office Equipment	0	0	0
Total	27,900	33,190	(5,290)
 Local Government			
Wages	500	0	500
Payroll Taxes	40	85	(45)
Professional fees	25,350	29,154	(3,804)
Insurance	8,500	9,259	(759)
Education and training	2,000	0	2,000
Dues and memberships	800	0	800
Lake board assessment	4,500	4,433	67
Economic development	9,500	13,971	(4,471)
Christmas activities	3,500	2,760	740
May clean-up	7,000	4,610	2,390
Safety	200	0	200
Equipment repair	800	2,207	(1,407)
Fire department	33,153	33,403	(250)
Library contributions	3,000	3,000	0
Safe deposit box rent	25	15	10



**Village of Lake Odessa**  
General Fund  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended February 28, 2005

	2005		Variance
	Budget	Actual	Favorable (Unfavorable)
County drain	6,000	18	5,982
Computers	3,000	1,720	1,280
Subscriptions	50	151	(101)
Miscellaneous	0	2,753	(2,753)
Total	107,918	107,539	379
Manager			
Wages	19,338	23,039	(3,701)
Payroll taxes and benefits	7,770	8,423	(653)
Auto Expense	2,000	1,651	349
Wellness	27	0	27
Supplies	800	1,018	(218)
Education and training	4,000	689	3,311
Dues and memberships	1,000	205	795
Communication	1,500	1,368	132
Meals and mileage	500	407	93
Equipment repairs and maintenance	100	0	100
Office equipment and furniture	500	486	14
Total	37,535	37,286	249
Finance Director			
Wages	24,000	20,318	3,682
Payroll taxes and benefits	13,520	11,526	1,994
Wellness	50	0	50
Education and training	500	196	304
Office supplies	350	381	(31)
Dues & memberships	100	90	10
Office equipment & furniture	1,000	45	955
Communication	1,000	514	486
Equipment repair and maintenance.	0	0	0
Meals and mileage	150	31	119
Total	40,670	33,101	7,569

**Village of Lake Odessa**  
General Fund  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
Year Ended February 28, 2005

	2005		Variance
	Budget	Actual	Favorable (Unfavorable)
Page Memorial Building			
Wages	5,000	3,076	1,924
Payroll taxes and benefits	560	405	155
Supplies and materials	2,000	1,900	100
Office supplies	3,000	3,537	(537)
Postage	1,000	1,056	(56)
Communication	2,300	2,770	(470)
Meals and mileage	100	0	100
Utilities	4,500	5,269	(769)
Equipment repair	2,500	2,409	91
Building repair	14,000	1,582	12,418
Landscaping	1,000	662	338
Office equipment	1,000	1,080	(80)
Leased assets	1,500	1,136	364
Total	38,460	24,882	13,578
 Total general government	 252,483	 235,998	 16,485
 <u>Public Safety</u>			
Police			
Wages	168,500	182,373	(13,873)
Payroll taxes and benefits	57,925	62,150	(4,225)
Clothing	1,200	1,020	180
Uniform cleaning	5,000	2,605	2,395
Supplies	1,900	3,792	(1,892)
Gasoline	4,900	8,398	(3,498)
Insurance	15,000	15,000	0
Professional fees	7,000	3,302	3,698
Dare program	500	0	500
Education and training	2,300	2,432	(132)
Dues and memberships	400	(21)	421
Communication	8,200	6,354	1,846
Meals and mileage	1,300	984	316
Community education	400	115	285
Medical/physicals	800	597	203
Vehicle repairs	4,000	10,396	(6,396)

**Village of Lake Odessa**  
General Fund  
**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
Year Ended February 28, 2005

	2005		Variance
	Budget	Actual	Favorable (Unfavorable)
Equipment repairs	1,200	2,171	(971)
Capital outlay	22,500	18,243	4,257
Rentals	1,000	0	1,000
Range qualification	500	0	500
Subscriptions	100	0	100
Equipment	2,000	3,826	(1,826)
Miscellaneous	0	235	(235)
Total	306,625	323,972	(17,347)
<u>Public Services</u>			
Public works			
Wages	41,500	33,674	7,826
Payroll taxes and benefits	24,575	22,274	2,301
Wellness	90	0	90
Prisoner labor contract	4,000	6,070	(2,070)
Supplies	5,400	7,811	(2,411)
Medical/physicals	50	0	50
Clothing	500	698	(198)
Gasoline	2,500	3,993	(1,493)
Dues & memberships	100	943	(843)
Professional fees	5,000	1,640	3,360
Insurance	7,500	7,500	0
Alley repairs	1,000	141	859
Education and training	500	180	320
License fees	50	26	24
Communication	1,000	1,225	(225)
Meals and mileage	100	0	100
Safety	500	581	(81)
Utilities	2,400	2,447	(47)
Vehicle repairs	5,000	6,529	(1,529)
Refuse removal	600	720	(120)
Equipment repairs	3,500	2,872	628
Building repair	4,000	5,552	(1,552)
Tree repairs	9,000	11,702	(2,702)
Landscaping	600	347	253
Storm sewer	1,000	864	136
Office equipment	0	0	0
Equipment - shop	2,500	(40)	2,540
Vehicle equipment	500	0	500
Capital outlay	0	0	0
Total	123,465	117,749	5,716

See accompanying notes to financial statements.

**Village of Lake Odessa**  
**General Fund**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended February 28, 2005**

	2005		Variance
	Budget	Actual	Favorable (Unfavorable)
<u>Public utilities</u>			
Traffic signal charges	100	100	0
Street light expense	30,000	26,208	3,792
Water expense	500	461	39
Sewer expense	1,600	1,512	88
Christmas outlet maintenance	500	964	(464)
Gas and electricity	0	0	0
Total	32,700	29,245	3,455
 Total public services	 156,165	 146,994	 9,171
<u>Culture and recreation</u>			
<u>Parks &amp; recreation</u>			
Wages	36,700	27,599	9,101
Payroll taxes and benefits	3,400	2,535	865
Supplies	1,000	154	846
Professional fees	8,000	0	8,000
Communication	200	324	(124)
Education and training	1,500	300	1,200
Utilities	3,700	3,340	360
Swift's place	1,000	1,000	0
Building repair	1,000	1,114	(114)
Beach project cost	0	0	0
Equipment repair	400	615	(215)
Landscaping	45,000	3,088	41,912
Building additions/improvements	4,000	0	4,000
Equipment	1,500	687	813
Total	107,400	40,756	66,644

**Village of Lake Odessa**  
**General Fund**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Year Ended February 28, 2005**

	2005		Variance
	Budget	Actual	Favorable (Unfavorable)
Arts commission			
Miscellaneous	1,025	2,448	(1,423)
Education and training	1,200	1,000	200
Art in the park	11,075	4,312	6,763
Entertainment	2,400	3,512	(1,112)
Total	15,700	11,272	4,428
Total culture and recreation	123,100	52,028	71,072
Debt Service			
Redemption of principle	12,000	11,454	546
Interest expense	2,800	2,723	77
Total	14,800	14,177	623
<b>Total expenditures</b>	853,173	773,169	80,004
Excess (deficiency) of revenues over expenditures	(29,287)	65,774	95,061
Other financing sources(uses)			
Termination pay	0	(100,000)	(100,000)
Total other financing sources(uses)	0	(100,000)	(100,000)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(29,287)	(34,226)	(4,939)
Fund balance at beginning of year		475,642	
Fund balance at end of year		\$ 441,416	

**Village of Lake Odessa**  
Other Supplemental Information  
Combining Balance Sheets  
Nonmajor Governmental Funds  
February 28, 2005

	Special Revenue Funds			Total Nonmajor Funds
	Major Street	Local Street	Highway	
Assets				
Cash in bank	\$ 107,109	\$ 40,835	\$ 199,856	\$ 347,800
Taxes receivable	0	0	5,958	5,958
Assessments receivable	0	0	270	270
Due from other funds	0	4,991	0	4,991
Due from other governments	20,961	7,081	0	28,042
Total Assets	\$ 128,070	\$ 52,907	\$ 206,084	\$ 387,061
Liabilities and Fund Equity				
Liabilities				
Accounts Payable	\$ 882	\$ 882	\$ 0	\$ 1,764
Payroll Taxes Payable	0	0	0	0
Retirement Payable	0	0	0	0
Due to other funds	10,931	59	5,137	16,127
Total Liabilities	11,813	941	5,137	17,891
Fund Equity				
Fund balances				
Reserved	0	0	0	0
Undesignated	116,257	51,966	200,947	369,170
Total fund equity	116,257	51,966	200,947	369,170
Total liabilities and fund equity	\$ 128,070	\$ 52,907	\$ 206,084	\$ 387,061

**Village of Lake Odessa**  
Other Supplemental Information  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2005

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Funds</b>
	<b>Major Street</b>	<b>Local Street</b>	<b>Highway</b>	
<b>Revenues</b>				
Property Taxes	\$ 0	\$ 0	\$ 188,434	\$ 188,434
Assessments	0	0	4,608	4,608
Intergovernmental revenues:				
State	121,922	41,158	0	163,080
Interest	1,882	606	3,578	6,066
<b>Total Revenues</b>	<b>123,804</b>	<b>41,764</b>	<b>196,620</b>	<b>362,188</b>
<b>Expenditures</b>				
Highways and streets				
Routine Maintenance	27,370	60,315	0	87,685
Administration	12,776	3,848	15,990	32,614
Professional fees	0	1,066	819	1,885
Winter maintenance	12,749	9,804	0	22,553
Storm sewer	1,353	1,106	0	2,459
Street construction	18,760	43,780	34,565	97,105
Sidewalk program	0	0	6,815	6,815
<b>Total Expenditures</b>	<b>73,008</b>	<b>119,919</b>	<b>58,189</b>	<b>251,116</b>
Excess of Revenue Over (Under) Expenditures	50,796	(78,155)	138,431	111,072
Other Financing Sources (Uses)				
Transfers from other funds	0	29,977	0	29,977
Transfer to other funds	(29,977)	0	0	(29,977)
<b>Total other financing sources (Uses)</b>	<b>(29,977)</b>	<b>29,977</b>	<b>0</b>	<b>0</b>
Excess (deficiency) of revenues over expenses	20,819	(48,178)	138,431	111,072
<b>Fund Balance, beginning of year</b>	<b>95,438</b>	<b>100,144</b>	<b>62,516</b>	<b>258,098</b>
<b>Fund Balance, end of year</b>	<b>\$ 116,257</b>	<b>\$ 51,966</b>	<b>\$ 200,947</b>	<b>\$ 369,170</b>

See accompanying notes to financial statements.

**Village of Lake Odessa**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Budget and Actual**  
**Highway Fund**  
**Year Ended June 30, 2005**

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property Taxes	\$ 185,500	\$ 188,434	\$ 2,934
Assessments	46,800	4,608	(42,192)
Interest	1,500	3,578	2,078
<b>Total Revenues</b>	<u>233,800</u>	<u>196,620</u>	<u>(37,180)</u>
 <b>Expenditures</b>			
Highways and streets			
Administration	14,800	15,990	(1,190)
Professional fees	22,000	819	21,181
Street construction	40,000	34,565	5,435
Sidewalk program	60,000	6,815	53,185
<b>Total Expenditures</b>	<u>136,800</u>	<u>58,189</u>	<u>78,611</u>
 Excess of Revenue Over (Under) Expenditures	<u>97,000</u>	<u>138,431</u>	<u>41,431</u>
 Other Financing Sources (Uses)			
Transfers from other funds	0	0	0
Transfer to other funds	0	0	0
<b>Total other financing sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
 Excess (deficiency) of revenues over expenses	97000	138431	41431
 <b>Fund Balance, beginning of year</b>	<u>62516</u>	<u>62516</u>	<u>0</u>
 <b>Fund Balance, end of year</b>	<u>\$ 159,516</u>	<u>\$ 200,947</u>	<u>\$ 41,431</u>



**Village of Lake Odessa**  
Other Supplemental Information  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Budget and Actual  
Local Street Fund  
Year Ended June 30, 2005

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental revenues:			
State	\$ 32,000	\$ 41,158	\$ 9,158
Interest	1,000	606	(394)
<b>Total Revenues</b>	<u>33,000</u>	<u>41,764</u>	<u>8,764</u>
<b>Expenditures</b>			
Highways and streets			
Routine Maintenance	29,700	60,315	(30,615)
Administration	3,200	3,848	(648)
Professional fees	1,000	1,066	(66)
Winter maintenance	6,200	9,804	(3,604)
Storm sewer	5,000	1,106	3,894
Street construction	40,000	43,780	(3,780)
Rentals	500	0	500
<b>Total Expenditures</b>	<u>85,600</u>	<u>119,919</u>	<u>(34,319)</u>
Excess of Revenue Over (Under) Expenditures	<u>(52,600)</u>	<u>(78,155)</u>	<u>(25,555)</u>
Other Financing Sources (Uses)			
Transfers from other funds	28,000	29,977	1,977
Transfer to other funds	0	0	0
<b>Total other financing sources (Uses)</b>	<u>28,000</u>	<u>29,977</u>	<u>1,977</u>
Excess (deficiency) of revenues over expenses	<u>(24,600)</u>	<u>(48,178)</u>	<u>(23,578)</u>
<b>Fund Balance, beginning of year</b>	<u>100,144</u>	<u>100,144</u>	<u>0</u>
<b>Fund Balance, end of year</b>	<u><u>\$ 75,544</u></u>	<u><u>\$ 51,966</u></u>	<u><u>\$ (23,578)</u></u>

**Village of Lake Odessa**  
Other Supplemental Information  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Budget and Actual  
Major Street Fund  
Year Ended June 30, 2005

	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental revenues:			
State	\$ 109,000	\$ 121,922	\$ 12,922
Interest	3,500	1,882	(1,618)
<b>Total Revenues</b>	<u>112,500</u>	<u>123,804</u>	<u>11,304</u>
 <b>Expenditures</b>			
Highways and streets			
Routine Maintenance	12,450	27,370	(14,920)
Administration	13,000	12,776	224
Professional fees	10,500	0	10,500
Winter maintenance	8,000	12,749	(4,749)
Storm sewer	3,000	1,353	1,647
Street construction	37,500	18,760	18,740
Rentals	1,000	0	1,000
<b>Total Expenditures</b>	<u>85,450</u>	<u>73,008</u>	<u>12,442</u>
Excess of Revenue Over (Under) Expenditures	<u>27,050</u>	<u>50,796</u>	<u>23,746</u>
Other Financing Sources (Uses)			
Transfers from other funds	0	0	0
Transfer to other funds	(28,000)	(29,977)	(1,977)
<b>Total other financing sources (Uses)</b>	<u>(28,000)</u>	<u>(29,977)</u>	<u>(1,977)</u>
Excess (deficiency) of revenues over expenses	(950)	20,819	21,769
<b>Fund Balance, beginning of year</b>	<u>95,438</u>	<u>95,438</u>	<u>0</u>
 <b>Fund Balance, end of year</b>	<u><u>\$ 94,488</u></u>	<u><u>\$ 116,257</u></u>	<u><u>\$ 21,769</u></u>

**Village of Lake Odessa**  
**Water Fund**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL**  
**Year Ended February 28, 2005**

	Budget	Actual	Favorable (Unfavorable)
<b>Operating revenues</b>			
Charges for service	\$ 407,400	\$ 380,890	\$ (26,510)
<b>Total operating revenues</b>	407,400	380,890	(26,510)
<b>Expenditures</b>			
Labor	119,600	113,259	6,341
Payroll taxes and benefits	61,825	62,655	(830)
Education	1,500	736	764
Administration	40,000	38,791	1,209
Principal	72,000	0	72,000
Repairs and maintenance	55,500	7,854	47,646
Gasoline	2,700	3,405	(705)
Supplies	7,500	8,618	(1,118)
Postage	1,500	1,617	(117)
Computers	4,000	0	4,000
Medical/physicals	200	0	200
Utilities	25,000	29,062	(4,062)
Insurance	3,300	3,300	0
Fees	2,600	3,404	(804)
Communications	3,500	4,190	(690)
Dues	2,600	1,549	1,051
Professional fees	22,000	1,504	20,496
Meter replacement	7,000	4,901	2,099
Clothing expense	1,000	1,027	(27)
Printing and publishing	700	0	700
Equipment	7,500	1,666	5,834
Meals and mileage	500	109	391
Building rental	0	0	0
Capital outlay	235,000	0	235,000
Depreciation	28,000	47,074	(19,074)
Prison labor	2,500	2,640	(140)
Cross connection inspection	10,500	6,030	4,470
<b>Total operating expenditures</b>	718,025	343,391	374,634
Operating income (loss)	(310,625)	37,499	348,124
<b>Non-operating revenues (expenses)</b>			
Interest revenue	10,000	8,744	(1,256)
Grant	1,500	0	(1,500)
Interest and fees	(15,000)	(13,446)	1,554
<b>Total non-operating revenues (expenses)</b>	(3,500)	(4,702)	(1,202)
<b>Net income</b>	\$ (314,125)	32,797	\$ 346,922
<b>Retained earnings at beginning of year</b>		1,312,009	
<b>Retained earnings at end of year</b>		\$ 1,344,806	

See accompanying notes to financial statements.

**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed in  
Accordance With Government Auditing Standards**

Members of the Village Council  
Lake Odessa, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Lowell, Michigan, as of and for the year ended February 28, 2005, and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Compliance*

As part of obtaining reasonable assurance about whether the Village of Lake Odessa, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the Village of Lake Odessa, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no mater involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Biggs, Hausserman, Thompson + Dickinson*

Biggs, Hausserman, Thompson & Dickinson, P.C.  
Certified Public Accountants

September 20, 2005